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RHEHNSC/WHITE HOUSE NSC WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEAIIA/CIA WASHDC

C O N F I D E N T I A L ASUNCION 000159

SIPDIS

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STATE FOR WHA/BSC, INL/LP (JIM HIDES)  
EB/IFD/OIA  
STATE PASS TO USAID FOR LAC/AA  
STATE PASS TO USTR FOR LYANG  
NSC FOR SUE CRONIN  
TREASURY FOR OSIA MAUREEN WAFER  
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR  
COMMERCE FOR ITA SARAH COOK  
SOUTHCOM FOR POLAD

E.O. 12958: DECL: 03/02/2027  
TAGS: [PGOV](#) [PHUM](#) [PREL](#) [PA](#)  
SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE FEBRUARY 24  
- MARCH 2, 2007

REF: A. ASUNCION 0138

[1](#)B. ASUNCION 1221 AND PRECEDING

Classified By: Pol Chief James P. Merz; Reasons 1.4(b),(d)

[1](#)1. (U) SUMMARY:

- Soto Moves On Military Transformation
- Animal Health Service Goes To Paris
- Ycua Bolanos Fire Case to be Retried
- MCA Legislative Component Suspended

SOTO MOVES ON MILITARY TRANSFORMATION

[1](#)2. (C) General Bernardino Soto Estigarribia, the Commander of the Armed Forces, told DAO he formed a commission of top military aides to propose changes to Law 216/93, which establishes the general organization of the military forces. The commission held its first meeting February 21 and continues to meet daily. Soto said the proposed changes should be ready for submission to the Paraguayan Congress in March. Currently, he is concerned troops are ill deployed with an unclear sense of mission. Through the process of military reorganization, he seeks to better align his military forces to their mission objective. At this time, Paraguay does not have a National Security Strategy (NSS), which once developed would surely effect military structure. Soto said the reorganization of the military can not wait for the political decisions on a NSS. (COMMENT: VP Advisor Juan Facetti told PolOff February 22 that the President has authorized a committee of 5 persons to meet in April 2007 to begin the process of composing a NSS. It is not likely that the NSS committee will move forward on a timely basis as the highly politicized presidential election season has already begun and at least two of the committee members are potential candidates. END COMMENT).

ANIMAL HEALTH SERVICE GOES TO PARIS

[1](#)3. (U) Hugo Corrales, Director of SENACSA, Paraguay,s animal health regulatory body, met in Paris with the Director

General of the World Animal Health Organization (OIE). Corrales is fighting what he sees as attempts by Brazil and Argentina to blame Paraguay for Foot-and-Mouth Disease (FMD) outbreaks among cattle in areas around Paraguay in recent years (ref. A). Paraguay is currently one of a few countries considered FMD-free with vaccination by the OIE. Local press reports quoted Corrales as saying that he had won the support of the OIE Director General, although the DG's remarks were less specific. Paraguay is engaged with USDA agencies in an effort to gain access for Paraguayan beef to the US market.

#### YCUA BOLANOS FIRE CASE TO BE RETRIED

14. (U) A new three-judge panel was selected February 28 to review the case against Ycua Bolanos Supermarket owners, Juan Pio Paiva and Victor Daniel Paiva, and security guard Daniel Areco for the August 1, 2004 fire that killed more than 350 persons. Late last year, the defendants were about to be convicted of manslaughter and sentenced to five year prison terms in connection to claims they ordered guards to lock the supermarket gates to prevent looting. However, the trial's closing proceedings were suspended when family members and friends of victims erupted in outrage as the final judge started reading his decision, signaling a conviction for manslaughter vice homicide (which would have carried a sentence of at least 25 years but required a determination that the "murders" were premeditated). Notwithstanding severe public pressure to "correct" the sentence, it is not apparent under what legal authority the prior decision was thrown out and a new case opened. Attorney General Candia applauded the decision telling Charge, this week that the case's "special" circumstances called for legal authorities to assume "special" measures to allow for the retrial. Pressed, Candia conceded that "yes, the mob won. But we won, too." COMMENT: This case speaks volumes about the "rule of law" in Paraguay.

While the fire's consequences were tragic, we aware of no evidence the supermarket owners intended to kill those in their facility when the fire broke out. Clearly, this decision responds to public pressure but in the process does little to promote respect for rule of law. END COMMENT.

#### MCA LEGISLATIVE COMPONENT SUSPENDED

15. (U) USAID suspended work on Millennium Challenge Account Component 5, Legislative Oversight of the Budget, because it was deemed seriously "off-track." Absent a Herculean turnaround in congressional interest and commitment, this component is in danger of being taken off the rails permanently. Although formal approval exists by both Houses, there has been no real commitment shown by the leaders of either House. The leaders of both houses were notified in December and January about USAID concerns regarding delays and requested to accomplish specific tasks by February 9 in order for the component to continue. Few of those tasks were completed and USAID suspended work for up to 30 days beginning February 28.  
CASON